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Dear Mr. Corner

Re: IIROC Proposed Guidance on Clearing Arrangements (the "Guidance")

The IIAC appreciates the opportunity to comment on the proposed Guidance. We understand that the issue may have arisen due to FINRA's position that clearing arrangements were de facto, introducing/carrying arrangements under Canadian rules. Given that FINRA requires such arrangements to be only undertaken with a FINRA member/US-registered broker-dealer, this motivated FINRA to characterize the DVP/RVP arrangements as introducing/carrying. The Guidance would address this problem by indicating that there must also be custody or financing to constitute introducing/carrying. We seek confirmation that there is no intent to create new requirements with respect to clearing arrangements for Dealer Members.

If this is the case, the clarification provided in the Guidance is very important in respect of cross –border arrangements. It is important for IIROC to engage with FINRA to ensure consistent treatment so that the existing arrangements, now fully supported by this Guidance, can continue. We do agree with the determination that a clearing arrangement as described in the Guidance, should not be characterized as a type of introducing-carrying broker arrangement subject to the requirements of IIROC Dealer Member Rule 35. However, the Guidance contains a number of elements that require clarification.

Under Point 1, *What is a clearing arrangement?* various functions, business reasons and account types / set-ups that constitute a clearing arrangement are listed. We note that the provision that states, "In the case of client accounts, these accounts are opened up **in the name of each client** [fully disclosed] as separate accounts on the books of the clearing broker." This limits the scope of what constitutes a clearing arrangement.

For instance, accounts that are opened in the name of the affiliate, for the benefit of client ABC (not fully disclosed) may utilize the combination of functions 1,2 and 5 which is **not** subject to the requirements of Dealer Member Rule 35. However, these accounts do not qualify as a clearing arrangement or as an omnibus account (definition: "Omnibus Account" means an account carried by or for a Dealer Member in which the transactions of **two or more persons** are combined and effected in the name of a Dealer Member without disclosure of the identity of such persons.). We would appreciate further guidance for this scenario.

It is also not clear in this section, if the clearing broker is responsible to provide trade confirmation documentation, or if the executing broker and clearing broker may make arrangements so that confirmation responsibilities are not duplicated.

Part 5*, What must be considered when entering into a clearing arrangement?* provides some clarity and references some details and challenges associated with regulated entities, dealers and other non-individual accounts. The guidance states "it is for this reason that IIROC would **expect** that for any clearing arrangement involving an IIROC Dealer Member, either domestic, cross-border inbound or cross-border out-bound…the arrangement would be executed with another dealer that qualifies as a "regulated entity". It is unclear whether the word **"expect"** in this context provides any flexibility for Dealer Members to engage non-regulated entities (after evaluating the risks) or if it is intended to be a prohibition on the use of non-regulated entities.

Thank you for considering our comments. If you have any questions please do not hesitate to contact me.

Yours sincerely,